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Hearing on Exposing and Demanding Accountability for Kremlin Crimes Abroad

House Committee on Foreign Affairs
Subcommittee on Europe, Eurasia, Energy, and Environment
July 7, 2020

The title of this hearing strikes me as right. Many Americans are focused, correctly, on the story of the reported Russian GRU (Russian military intelligence) bounty on US troops in Afghanistan. But the challenge the United States and Europe face is larger: Putin's malign behavior generally and what we should do about it.

I don't have special insight into reported intelligence that the GRU has been offering cash rewards for killing American soldiers in Afghanistan. I know from experience that intelligence can be complicated to evaluate and that different agencies sometimes interpret it in different ways.

But different interpretations do not mean that intelligence is fake and calling it so will not help us find a way forward in what may be an ugly action by Putin's military intelligence service. I don't like leaks of intelligence, and a firestorm of media speculation and interpretation that leaks can generate complicate policy responses. But that's life in Washington and not just these days. Our task is to think through the problem and our options.

Rather than engage in one-off responses to particular instances of Russian aggression—against Ukraine, against US elections, against US soldiers if the reports are accurate, and against our allies—the United States needs a sustainable strategy, hopefully developed and implemented with our allies, for dealing with the challenge of Putin's Russia.

The Putin Challenge

I would put that challenge this way: Putin's system of rule combines political authoritarianism and economic kleptocracy. It enriches Putin and his associates and provides opportunity for lower-level bosses to grab what they can. It's a system that keeps Russia relatively poor and backward. Russians are smart—they do well, often brilliantly, when they emigrate to the United States. But developing Russia, making Russia rich and not just individual Russians, must start with respect for the rule of law, property rights, independent institutions in and out of government, and freedom of speech and assembly.

None of these things is compatible with Putinism. These values therefore are unlikely to advance while Putin is in charge. By changing the Russian Constitution, supported by a dodgy plebiscite, Putin seems to be setting himself up to rule until 2036, essentially for life.¹ Politics in Russia seems to be stagnating to late-Soviet levels.

Russia's domestic economy was already struggling when I testified before this subcommittee about one year ago. It has since gotten worse.² The coronavirus pandemic has hit it hard. Russia's authoritarian system has not dealt with that challenge well: data about fatalities and even COVID-19 cases seem to be manipulated to minimize the public impact while the regime is putting pressure on those who attempt to tell the truth.³ The pandemic is likely to be more serious in Russia than official data indicate. That will surprise no one familiar with Russian political culture under Putin.

At the same time, Russia's economy, dependent on raw material exports like oil and natural gas, has been hit by the global drop in energy prices. (Inexplicably, Putin's ally Igor Sechin, CEO of the state-owned energy company Rosneft, contributed to this drop by initiating a production and price war with Saudi Arabia, increasing oil production and putting downward pressure on prices, just as the pandemic-related global economic drop in energy demand was accelerating.)⁴

Economic decline, political stagnation, and the impact of the Coronavirus under conditions of coverup make the Putin regime insecure. It, therefore, will likely step up its repression at home.

Simultaneously, the regime will continue to attack made-up outside enemies, especially the United States and other democracies, whose relative success the nervous regime regards as a challenge and threat by virtue of their power of example. I say "made-up" enemies because, notwithstanding the regime's propaganda, neither the United States nor any of our allies wishes ill on Russia. Our interests would benefit from Russia's successful development along the lines I suggested earlier: with a more democratic political system, more rule of law, and more generalized prosperity.

¹ Patrick Reeve, "Putin granted right to extend rule till 2036 in overwhelming referendum result," *ABC News*, July 1, 2020, <https://abcnews.go.com/International/putin-granted-extend-rule-till-2036-overwhelming-referendum/story?id=71559748>.

² "Gross domestic product (GDP) monthly growth rate in Russia from January 2019 to April 2020," Statista, May 2020, <https://www.statista.com/statistics/1009056/gdp-growth-rate-russia/>.

³ Matthew Luxmoore, "Russian Doctor Who Criticized Government's COVID-19 Response Detained" *Radio Free Europe/Radio Liberty*, April 3, 2020, <https://www.rferl.org/a/head-of-russian-doctors-union-arrested-on-trip-to-equip-provincial-hospitals-battling-virus/30527912.html>.

⁴ Anders Åslund "Putin concedes defeat in the oil price war", *Atlantic Council*, April 14, 2020, <https://www.atlanticcouncil.org/blogs/new-atlanticist/putin-concedes-defeat-in-the-oil-price-war/>.

American Presidents from George H.W. Bush to Barack Obama tried to build constructive relations with Russia, but as a nation state and not an empire. None would accept Russian domination over its neighbors and former satellites as a price for such relations. None would perpetuate the line of the Iron Curtain in a post-Cold War Europe. None would accept Moscow's claim of ultimate control over Ukraine or Georgia after the end of the Soviet Union.

Putin didn't like that.

He objects to the West's policy of treating Russia's neighbors as countries in their own right. He objects to our support for their independence, their right to seek their own way in the world and, someday for some, if they meet the conditions, to join the institutions of a united Europe and undivided transatlantic world. He objects to support for pro-Western, pro-democracy political movements in Russia's neighbors. He objects to US and European support for human rights inside Russia. For these reasons, Putin regards the West and especially the United States, as his foe.

Putin's regime relishes political turmoil in the United States and other Western democracies and seeks to exacerbate it through disinformation. Putin seeks to weaken NATO, the European Union, and other institutions of what we used to call the Free World. Putin seems to have special animus for the United States, which he blames for the collapse of the Soviet Union. He will hurt us where he thinks he can.

I have referred in this context to Putin and the Putin regime. I do not believe that Russia and the United States, or Russia and the West, are fated to remain on bad terms, or that the current tensions are inevitable. Putinism is not necessarily Russia's fate. It may already be faltering. If it fails, it is possible that new Russian leadership could seek to take the country in a more constructive direction, at home and abroad, not to please us but to help Russia escape the Putinesque dead end of autocracy and stagnation. In that case, we should welcome and support such a change, and be prepared to respond accordingly.

For the present, however, we need to deal with Putin's regime as it is.

Dealing with Putin's aggression

Accountability for Putin's aggression abroad means resisting it on a strategic level. We should seek to "sharpen the contradictions" for Putin. As then Secretary of State Condoleezza Rice put

it after Putin's war against Georgia in 2008,⁵ Putin can seek to gain from the global system, under the condition that he respect its rules, or he can try to trash that system. But not both.

We should hold a place among leading, responsible nations for a better Russia when that day comes.

But that time is not now. Given Putin's current behavior, even apart from the possibility of Russian military intelligence offering money for the deaths of US soldiers, we should extend no invitations to the G8 or make other gestures that suggest that the United States is eager to overlook the reality of Putin's policies.

We should work with our allies, most of whom share our assessment of Putin's actions. There is a consensus waiting to be shaped by leadership, when we exercise it.

Specific policy actions could include the following, though this is not an exhaustive list:

Strengthen NATO and NATO's defenses.

Following Putin's attack on Ukraine in 2014, President Obama reversed years of US military drawdown in Europe, leading NATO to move battalion-strength forces to Poland and the Baltic States, as well as deploying a US armored brigade to Poland on a rotational basis. That was a big deal. The Trump Administration took some logical next steps, announcing in 2019 plans to move additional US support forces into Poland. That Trump Administration decision was thought through and the overall message to Putin clear: there is no option for a cost-free appearance of Russian Little Green Men in the Baltics. Strengthening NATO's deterrent capacity is one way to answer Putin's aggression abroad.

It was dismaying to learn of President Trump's sudden decision last month to pull a significant number of US forces out of Germany.⁶ That decision seemed based on the President's political irritation at Chancellor Merkel, including over German defense spending and support for the Nord Stream II gas pipeline. While the Administration has arguments on both these issues, US forces in Germany do not serve German interests. They serve US and NATO interests. Pulling them out sends a muddled message.

⁵ "Secretary Rice Addresses US-Russia Relations At The German Marshal Fund," US Department of State, September 18, 2008, <https://2001-2009.state.gov/secretary/rm/2008/09/109954.htm>.

⁶ Katherine Walla, "What's at stake in Trump's plan to withdraw troops from Germany," *Atlantic Council*, June 25, 2020, <https://www.atlanticcouncil.org/blogs/new-atlanticist/whats-at-stake-in-trumps-plans-to-withdraw-troops-from-germany/>.

More broadly, the US President—whoever that is—should make the case to the American people how NATO serves the interests of the United States. NATO turned Europe from a source of wars to a center of peace and prosperity. I share the frustration of this and previous US administrations with inadequate defense spending and capacity on the part of Germany and other European allies. But some perspective: German defense spending is moving in the right direction and significantly so.⁷ Let's remember what a real European security problem looks like: Omaha Beach or Dresden, or the Berlin Wall. NATO has done a lot for us.

Support Ukraine's independence and reforms.

Since regaining its independence in 1991, Ukraine has repeatedly fallen into cycles of failed attempts at free market, democratic transformation followed by mass social protests on behalf of such reforms. Judging by their voting patterns, most Ukrainians seem to want their country to follow the successful reforms launched a generation ago in the Baltic states, Poland, and elsewhere in Central Europe. But Ukraine's reforms seem hampered by what I call an "Iron Ring" of corrupt oligarchs and their economic monopolies and politicians under their influence. News from Kyiv in recent months has not been good, with senior and credible reformist officials dismissed; the July 1 resignation by the head of the Central Bank of Ukraine was just the latest discouraging sign.⁸

Nevertheless, Ukraine remains a democracy, meaning that its rulers face real elections whose outcome is not fixed in advance. A large constituency for national transformation and modernization along European lines exists. Ukrainian activists and specialists understand what needs to be done (they remind me of the young Polish reformers a generation ago who succeeded in their country).

Ukraine's successful transformation would be a major success for Europe, the United States, and the Free World as a whole; and it would be a major defeat for Putinism. It would demonstrate that freedom in Europe, which has advanced far since 1989, still has potential. It would demonstrate, including to Russians, that a Russian speaking country, which Ukraine in large part still is, with an Eastern Orthodox religious tradition, is capable of achieving European

⁷ Dr. Diego Lopes da Silva et al, *Trends in world military expenditure, 2019*, Stockholm International Peace Research Institute, April 27, 2020, <https://www.sipri.org/publications/2020/sipri-fact-sheets/trends-world-military-expenditure-2019>.

⁸ Anders Åslund "Ukraine's central bank chief resigns leaving Zelenskyy's reform credentials in tatters", *Atlantic Council*, July 2, 2020, <https://www.atlanticcouncil.org/blogs/ukrainealert/ukraines-central-bank-chief-resigns-leaving-zelenskyy-s-reform-credentials-in-tatters/>.

standards of governance; that Putinism is not the only choice for Russia. Ukrainian President Zelenskyy has made just this point in remarks that gained currency inside Russia.⁹

Putin attacked Ukraine immediately after a pro-Western, democratic movement toppled his discredited client Viktor Yanukovich in 2014. He did so not simply to seize Crimea and part of Ukraine's Donbas region, but to gain leverage over Ukraine as a whole, to prevent it from realizing a reformed and European future.

Ukraine has become part of US politics, which serves no US interest that I can see. Our interests are best served by a two-track policy of supporting Ukraine's independence, including with sales of military equipment and diplomatically, and pushing Ukraine to break its "Iron Ring" of corruption and finally commit to transform itself. With relatively modest resources, the United States can invest in a potential major success for ourselves, for Europe, and for Ukraine, frustrating Putin's designs.

Counter-disinformation.

The United States and Europe have belatedly woken up to the challenge of Russian (and Chinese and other) disinformation campaigns and are far better placed to deal with them than in 2016. The European Union is ahead of the United States Government (USG) in development of policy to limit disinformation, but both the United States and European Union are moving in the same direction. Our tasks include working with (and when needed, put pressure on) social media companies to expose and limit Russian disinformation campaigns; supporting civil society groups that can expose disinformation campaigns sometimes in real time; and thoughtful regulation to support transparency and integrity online.¹⁰

European energy security.

Putin has used Russia's status as a major source for European (particularly East and Central European) natural gas as a basis for political leverage. The Nord Stream gas pipelines (one complete and Nord Stream II near completion), designed to bring gas through the Baltic Sea from Russia directly to Germany, have raised understandable concerns in Ukraine, Poland, and the Baltics. They fear that Germany, which supports these projects, is prepared to accept

⁹ "Zelenskyy's New Year address: everyone should answer the question: who am I?" *UNIAN*, January 1, 2020, <https://www.unian.info/society/10816211-zelensky-s-new-year-address-everyone-should-answer-the-question-who-am-i.html>.

¹⁰ Daniel Fried and Alina Polyakova, *Democratic defense against disinformation 2.0*, Atlantic Council, June 13, 2019, <https://www.atlanticcouncil.org/in-depth-research-reports/report/democratic-defense-against-disinformation-2-0/>

Central and Eastern Europe becoming even more vulnerable to Kremlin energy pressure. Other European countries, some officials in the European Commission, and many in the European Parliament object to Nord Stream II on these grounds. As part of the National Defense Authorization Act (NDAA) passed late in 2019, Congress included sanctions on Nord Stream II in the Protecting Europe's Energy Security (PEES) Act¹¹ and additional sanctions on Nord Stream II have been introduced as part of the 2020 NDAA.¹²

I oppose Nord Stream II and am in sympathy with the aims of those who want to use sanctions to kill the project. There may be, however, alternatives that would mitigate the potential risks of Nord Stream II at less cost to US-German relations. Developments over the past ten years have already substantially reduced Russian energy leverage over Central Europe: the development of a network of smaller gas pipelines that can and have moved gas from Germany east to Central Europe and Ukraine (which now consumes no Russian gas supplied directly); greater availability of liquified natural gas (LNG) from the United States and other sources, plus greater infrastructure in Poland and the Baltic States to receive it; and the anti-monopoly provision of the European Union's "Third Energy Package."¹³ The Three Seas Initiative, a Central European infrastructure investment project supported by the United States covering energy, transport, and digital sectors, could further reduce Central European energy vulnerability.

The United States, European Union, and Germany should all work to intensify efforts along these lines. If the United States were on better terms with Germany, which it should be, one alternative to sanctions might be a US-German initiative (designed with input from the European Union, Poland, and other affected states) to advance all of these welcome trends and projects. If Nord Stream II is completed, the agreed transatlantic goal should be mitigation of Nord Stream II's strategic downsides at the least cost. Such steps could be supplemented by preparation of contingency sanctions against Russian energy targets should Nord Stream II, if completed, be used to support attempts at Russian energy leverage, e.g., politically motivated gas cutoffs, against Ukraine or any European Member State.

Financial transparency.

¹¹ Daniel Fried, "Russia gas pipeline sanctions legislation (PEES Act): A way ahead," *Atlantic Council*, December 17, 2019, <https://www.atlanticcouncil.org/blogs/new-atlanticist/russia-gas-pipeline-sanctions-legislation-pees-act-a-way-ahead/>

¹² "Senators Cruz, Shaheen Introduce Legislation Expanding Sanctions to Block Completion of Nord Stream 2," US Senator for Texas Ted Cruz, June 4, 2020, https://www.cruz.senate.gov/?p=press_release&id=5156

¹³ Richard L. Morningstar, András Simonyi, Olga Khakova, and Jennifer T. Gordon, *European energy security and the critical role of transatlantic energy cooperation*, Atlantic Council, May 26, 2020, <https://www.atlanticcouncil.org/in-depth-research-reports/report/european-energy-security-and-the-critical-role-of-transatlantic-energy-cooperation/>

One of the curious features of Putinism is that he and his chief cronies and allies rely on the Western financial system to raise capital, stabilize the ruble, and attract foreign direct investment while attacking the West. At the same time, members of Putin's circle of cronies and allies seek to safeguard and conceal their enormous personal wealth, much of it gained through corruption and misappropriation of state assets, through complex money laundering schemes and opaque financial structures, again through the Western financial system.

We should not allow Putin's team to use and simultaneously abuse our own system. First, the United States needs to implement beneficial ownership legislation—we are closer than ever before to consensus on this—to shield our financial institutions, capital markets, industry, and philanthropy culture from these ill-gotten gains. Sectors such as high-end real estate and fine art are particularly vulnerable. Second, the United States, United Kingdom, and European Union need to work together to strengthen rules for financial transparency. The USG should throw its full weight behind ongoing efforts by the European Union to strengthen its watchdog capacities and close loopholes within the bloc that allow Putin's cronies to move money in and out of European jurisdiction undetected, while acquiring key stakes in European businesses and financing anti-democratic political movements.

We could supplement such measures with efforts to expose and publicize the personal wealth of Putin and his chief cronies. There is precedent for this, not involving official research: The Organized Crime and Corruption Reporting Project (OCCRP), an investigative journalist consortium, uncovered extensive evidence of official corruption, including Putin's, in its "Panama Papers" studies published starting in 2018.¹⁴

In addition, support for independent journalism inside Russia, a good thing in its own right, can uncover evidence of corruption among Putin and his circle. One source for such support has been Radio Free Europe/Radio Liberty (RFE/RL), the USG funded but independently managed television and radio stations with a storied past. The Trump Administration's sudden removal of RFE/RL's high-quality leader Jamie Fly, along with the leaders of all other USG broadcast agencies,¹⁵ unfortunately risks weakening the stations and raises questions about their willingness to go after Putin and his circle, given President Trump's positive personal attitudes toward him.

Sanctions.

¹⁴ "The Panama Papers," OCCRP, April 3, 2016, <https://www.occrp.org/en/panamapapers/>

¹⁵ Daniel Fried, Josh Lipsky, "US government broadcasters have long advanced the cause of freedom. Now they're under threat," *Atlantic Council*, June 23, 2020, <https://www.atlanticcouncil.org/blogs/new-atlanticist/us-government-broadcasters-have-long-advanced-the-cause-of-freedom-now-theyre-under-threat/>

The United States developed its Russia sanctions program after Putin's attack on Ukraine in 2014 in coordination with the European Union and major European countries; it was designed to allow for escalation in the event of new or intensified Russian aggression against Ukraine. In response to additional acts of Russian aggression, especially against US elections in 2016, Congress and the Trump Administration built on this foundation.

We should retain options for escalation and not use all available additional sanctions tools in reaction to the alleged GRU bounty on US forces, assuming that we were confident that it had occurred. We should retain especially escalatory options for sectoral sanctions (including financial sanctions, such as sovereign debt restrictions, and energy sector sanctions) for use should Russian interference in the 2020 US elections reach new heights or should the Kremlin escalate its ongoing aggression against Ukraine, or engage in new forms of aggression. Such a contingency approach is the conceptional basis for the Graham-Menendez Defending American Security from Kremlin Aggression (DASKA) Act, now voted out of Committee.¹⁶

That said, the United States does have sanctions options to retaliate for the reported GRU bounty on US soldiers. These could include:

- intensified restrictions for military and dual-use technology, initially put in place by the Obama Administration as part of the Ukraine sanctions package;
- reestablishment of an allied coordination mechanism to manage technology export restrictions to Russia in the military, dual use, and possibly cyber sector areas;
- additional sanctions against Russian individuals, either those part of the GRU, or oligarchs or cronies either close to Putin or close to the Russian military. For developing individual sanctions, the USG should start with the high-quality original version of the "Kremlin Report"—Section 241 from the Countering America's Adversaries through Sanctions Act (CAATSA);¹⁷ and, possibly, a Russian state-owned bank or financial institution, such as one with connections to the GRU or Russian military. (A Senate-based amendment to the NDAA along some of these lines has been filed.)¹⁸

In developing these or other sanctions options, we should work with the United Kingdom (whose forces were also reportedly targeted by the GRU bounty program) and with Germany,

¹⁶ US Congress, Senate, Defending American Security from Kremlin Aggression (DASKA) Act of 2019, S 482, 116th Congress, 1st session, introduced in the Senate February 13, 2019, <https://www.congress.gov/bill/116th-congress/senate-bill/482>

¹⁷ Daniel Fried, Brian O'Toole, "The new Russia sanctions law: what it does and how to make it work," *Atlantic Council*, September 29, 2017, <https://www.atlanticcouncil.org/in-depth-research-reports/issue-brief/the-new-russia-sanctions-law/>

¹⁸ "Menendez Unveils NDAA Amendment in Response to Kremlin Targeting of U.S. Troops," US Senator for New Jersey Bob Menendez, July 1, 2020, <https://www.menendez.senate.gov/news-and-events/press/menendez-unveils-ndaa-amendment-in-response-to-kremlin-targeting-of-us-troops>

which has asked the European Union to impose sanctions on Russian persons identified with a hack against the Bundestag a few years ago.¹⁹

If the United States does impose additional sanctions on Putin's regime for the reported bounty on US forces in Afghanistan, it should explain its actions; not appear to act with reluctance, under pressure from Congress or public opinion; and not, for example, repeat its weak rollout of sanctions last August 2 for the GRU's attempted assassination of former Russian intelligence officer on British soil.²⁰ Instead, whatever options the USG chooses should be implemented with determination and announced at senior levels, ideally in parallel with one or more ally.

Bring the Free World Together

These or other actions the United States might take to deal with Putin's aggression will succeed only if they are embedded in an overall Russia policy—consistently expressed—that seeks to resist Putin's aggression, defends US interests and values simultaneously, and holds open the possibility of a better relationship with Russia when it is on a different trajectory.

It is hard for this Administration to articulate such a policy, much less bring allies together around it, because the President's own views of Putin have been consistently and inexplicitly charitable. While some speculate about the nature of the President's dealings with Russia, I am more struck by what I consider to be a larger problem: the President's apparent preference for authoritarian rulers, including but not limited to Putin; his apparent disdain for the structures and principles of the Free World that the United States built and led since 1945; and his tendency to see the United States as an isolated, self-serving power operating along the principle of "might makes right."

That's not an approach that challenges Putin or Chinese President Xi. It's an approach that accepts their world view. It's an approach that would diminish the United States from being leader of the Free World to just another grasping Great Power. We would, in such a scenario, undo the basis of American leadership since 1945, a period which, despite our mistakes, inconsistencies, failures, and downright blunders, also generated the world's longest period of general peace and unprecedented global prosperity.

The United States and its democratic allies won the Cold War because we made democracy work better than the competition and everybody knew it.

¹⁹ Catherine Stupp, "Germany Seeks EU Sanctions for 2015 Cyberattack on Its Parliament," *Wall Street Journal*, June 11, 2020, <https://www.wsj.com/articles/germany-seeks-eu-sanctions-for-2015-cyberattack-on-its-parliament-11591867801>

²⁰ <https://www.atlanticcouncil.org/blogs/new-atlanticist/new-russia-sanctions-justified-but-feeble-and-awkward/>

The United States needs to lead again. We need to make the rules-based international system work better, including better for more Americans. We need to grapple with new challenges: climate change, pandemics, new technologies, and more; and old problems of race, equity, and justice. We need to take our old, best principles, and apply them in new ways. That's how we'll prevail over Putin and other authoritarians who think, mistakenly, that their time has come. We need to remember who we are, when at our best, and act accordingly.